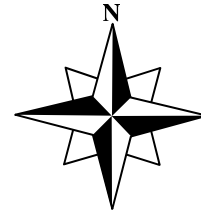


LOCAL OPTION CAPITAL ASSET LENDING PROGRAM ("LOCAL")



January 26, 1999

News and Views



MICHAEL J. MURPHY
Washington State Treasurer

LOCAL Advisory Group

The Honorable Rose Bowman
Lewis County Treasurer
360-740-1115

The Honorable Thad Duvall
Douglas County Auditor
509-745-8527x400

Mr. Roger Ferris
Fire Commissioners Association
360-943-3880

The Honorable Ruth Gerdon
Association of County Treasurers
360-417-2247

Mr. James Hendrickson
Municipal Treasurers Association
360-754-5855

Mr. Fred High
Association of
School Business Officials
253-813-7295

Mr. William R. James
Public Ports Association
360-417-3423

Mr. Jim Justin
Association of Washington Cities
360-753-4137

Mr. Jonathan K. Oesting
School Directors' Association
206-236-0747

Ms. Ione Siegler
Association of Counties
360-427-9670x423

The Honorable Otis Kent Osborne
Association of County Treasurers
509-527-3212

Ms. Debbie Tarry
Finance Officers Association
425-745-1891

The Honorable Bob Terwilliger
Snohomish County Auditor
425-388-3472

The Honorable Linda M. Wolverton
Association of County Treasurers
509-456-4786

Ms. Rosemarie Schaller
Office of the State Auditor
360-753-3540



ALLAN J. MARTIN
LOCAL Manager

INAUGURAL CERTIFICATE OF PARTICIPATION

First participating agencies

King County Fire Protection
District No. 50
Yakima County Fire Protection
District No. 9
Lewis County Fire Protection
District No. 9
Wenatchee Reclamation District
Quillayute School District 402
City of Renton
City of Duvall

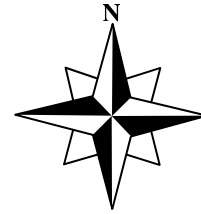
The Local Option Capital Asset Lending Program (LOCAL) enjoyed its inaugural offering on September 15, 1998. The Certificate of Participation with a total financing of \$2,850,000 included \$711,000 repre-

**Financing Local Government
Equipment Needs . . .**



Michael J. Murphy
Washington State Treasurer

LOCAL OPTION CAPITAL ASSET LENDING PROGRAM ("LOCAL")



January 26, 1999
Page 2

News and Views

senting nine leases with seven local government participants. Participating governments included fire districts, cities, a school district, and an irrigation district. Equipment ranged from a Jaws of Life for Lewis County Fire Protection District No. 9 to computers for Quillayute School District 402. The offering also included a refinance of an existing lease on computer equipment that lowered the rate from 8.15 percent to 4.26 percent.

Competitive bids were received from five underwriting firms. The low bid was received from Piper Jaffrey, Inc. Funding of equipment purchases took place on September 23 with rates for three-year financing at 4.26 percent to 4.51 percent for a ten-year term.

Financing Essential Services

Since July, the LOCAL staff has traveled 4,334 miles presenting the LOCAL program. Presentations have been made in coordination with County Treasurers in Spokane, Skagit, San Juan, and Snohomish Counties. The staff has attended and participated at the Washington Finance Officers Association annual conference, Small Ports meeting, Public Utilities meeting, Fire Commissioners conference, and various local meetings. Over 1,300 booklets have been mailed to various agencies and over 525 telephone inquiries have been fielded.

For the LOCAL staff the program is a rewarding experience. An ambulance to be used in rural Skykomish, a Hurst Jaws of Life for Lewis County, a fire truck in Yakima. It is gratifying to bring the state's economies of scale to the benefit of the many diverse needs of local government.

Most Recent Certificate of Participation

Equipment Series 1998F

December participating agencies

Waitsburg School District No. 401
Kitsap County Consolidated Housing Authority
City of Goldendale
City of Shelton
City of Spokane
City of Port Angeles

Rates	3 Year	7 Year	10 Year
3.93%	4.10%	4.39%	

Moody's Assigns Aa3 Rating

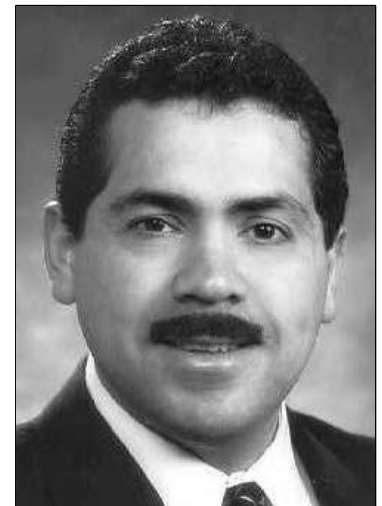
LOCAL equipment financing enjoys an above average rating

The above average rating reflects the state's history of payment of similar certificates of participation and the credit standing of the state. The financing term for each equipment purchase correlates with its expected useful life, ranging from 3 to 10 years, which is viewed favorably by the markets. LOCAL certificates are secured by agency lease payments and are paid pursuant to the full faith and credit pledge of the local agency, or from pledged general revenues of the local agency providing a *solid investment for investors*.

A Vital Link

County treasurers constitute a vital link in the financing network created in the LOCAL program. As the county treasurer acts as ex-officio treasurer for junior taxing districts, the treasurer's bond payable systems will

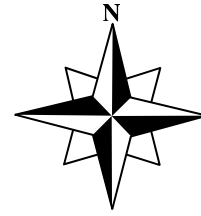
be used to electronically effect debt service payments due from junior districts. A memorandum of understanding (MOU) has been developed to formalize the common interests of the state treasurer and county treasurer. Seventeen treasurers have executed the MOU. Junior taxing districts should contact their county treasurer in the initial stages of financing. In many counties, treasury staff has been assigned to help districts complete the LOCAL program financing documents.



MARTIN REYNOSO
LOCAL Finance Officer

In 1989 the Legislature authorized the Washington State Treasurer's office to begin financing equipment and certain real estate projects on behalf of state agencies through the state's Lease/Purchase program. Since its introduction, the program has issued over \$440 million in certificates of participation (COPs) to finance essential equipment and real estate on behalf of

LOCAL OPTION CAPITAL ASSET LENDING PROGRAM ("LOCAL")



January 26, 1999
Page 3

News and Views

over 80 state agencies, with individual issue sizes ranging from \$235,000 to \$78,000,000.

Seeing that there was a need for smaller issuers in Washington State to have access to lower cost equipment financing, Washington State Treasurer Michael J. Murphy sponsored legislation in 1998 to extend the use of the state's Lease/Purchase program to local governments. The Washington State Legislature authorized the Office of the State Treasurer to begin financing equipment on behalf of local government entities in September of 1998.

Washington's new LOCAL program mirrors the state's Lease/Purchase program and provides local agencies with many of the same benefits previously available only to state agencies. These benefits include low tax-exempt interest rates, a rating of Aa3 from Moody's, standardized documentation, and consistent debt service payment dates. The program allows participants, who may finance as little as \$10,000, to pool their financing requests together with other Washington State and local agencies and benefit from economies of scale. In many cases, state and local agencies would be unable to achieve transaction sizes large enough to illicit substantial market interest. For smaller issuers, the increased issue size resulting from the pooling together of various agencies' financing requests can result in the ability to finance smaller ticket items which might be difficult to finance otherwise.

In addition, local agencies are able to benefit from the state's experience with the issuance of public debt. The state is one of the largest issuers in the Northwest, and is routinely accessing

the municipal securities marketplace for the sale of bonds and certificates of participation (COP). The Lease/Purchase program has sold over 130 separate COP issues since 1989, and this has helped to establish a strong market for state of Washington COPs. Because the LOCAL program pools state and local equipment financing transactions together and finances them in individual COP issues, in most instances the program will enable local agencies to receive the lowest interest rates possible.

Martin's Biographical Information

Martin is a veteran of the Armed Forces, having served in the United States Army from 1987 to 1989. His work experience includes private sector employment with the Hyatt corporation.

Martin graduated from California State University at Northridge with a Bachelor of Science degree in Business Administration. He is currently a second-year graduate student in The Evergreen State College Master of Public Administration program.

Martin is treasurer for the Timberland Regional Library Foundation. He is a member of the Association for Governmental Leasing & Finance and the Washington Finance Officers Association.

Martin and his wife, Angelica, live in Olympia and enjoy reading, hiking and participating in community events.



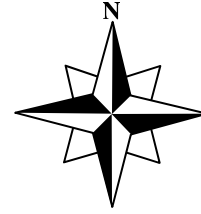
KAY L. KING
LOCAL Compliance Officer

Disclosure

Participation in the LOCAL program may mean that a local government participant must provide information for the offering documents for the COPs. Whether or not disclosure is required is a function of three factors: the size of the local government lease(s), the length of the local government lease(s) and the size of the particular COP issue.

A baseline guide is as follows. If a local government is financing \$400,000 or more for three years or less, disclosure will probably be required. If a local government is financing \$250,000 or more for four or five years, disclosure will probably be required. Financing any amount for six years or more may require disclosure. Since every financing is different, the need to disclose will depend on the overall size and shape of the issue. The final structure is not known

LOCAL OPTION CAPITAL ASSET LENDING PROGRAM ("LOCAL")



January 26, 1999
Page 4

News and Views

until the cut-off date for that particular issue.

The LOCAL staff endeavors to request information from local participants (as well as county treasurers and county assessors) while balancing reasonable time frames and streamlining work. The requests for information are timed so that local participants and county officials have at least one week to gather the requested information. Requests are generally held to such time to incorporate the final structure and avoid superfluous paperwork for local participants.

Kay's Biographical Information

Kay L. King joined the State Treasurer's office in May 1996 in the capacity of Regulatory Affairs Officer.

Kay received her J.D. from the University of Wisconsin Law School where she graduated with Order of the Coif honors. She also received a B.A. from the University of Wisconsin. Her previous legal experience includes securities, banking, and tax work in both the private and public sector. Kay is a member of the Washington State Bar Association and the National Association of Bond Lawyers.

Kay, her husband Austin Lampert, and their children David and Elysia live in Olympia. Kay and her family enjoy hiking and camping around the Northwest, skiing, travel and the arts.

Bi-Monthly Financing Dates

Cutoff	Approx. Funding
January 10	February 15
March 10	April 15
May 10	June 15
July 10	August 15
September 10	October 15
November 10	December 15